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Deception Laid To Egyptians On Arms Deal

A flurry of coded messages between Egyptian and American businessmen reveals the backroom manipulations by high Egyptian officials that gave a small company with Palestinian connections exclusive control of billions of dollars worth of U.S. arms shipments to Egypt.

The cables between Cairo and Washington from May to December 1979 trace the progress of the businessmen's state of mind from suspicion through alarm to final confirmation that they had been royally lied to by the men who now run Egypt. Copies of the cables were obtained by my associates Indy Badhwar and Dale Van Atta.

The messages used code names for the principal figures and institutions involved in the arms deal: "Fathers" for the U.S. Congress; "Plasma" for the U.S. aid program; "Wedding" for the arms-shipping contract; "Cage" for the Pentagon; "Umpire" for Kamal Hassan Ali, now Egyptian deputy prime minister, and "Short-stop" for Abu Ghazala, now the defense minister.

In addition, there were uncoded references to Hosni Mubarak, the

new president of Egypt, and his brother-in-law, Mounir Sabet, now chief of military procurement. There was no suspicion that Mubarak was actively involved in the secret deal, only that he was told about it but apparently failed to take action because of his brother-in-law, who was deeply involved.

The background of the scandal starts with the Camp David accords, signed in March 1979. To sweeten the pot for Egypt, President Carter promised billions of dollars in U.S. military aid. Several prominent American and Egyptian firms submitted proposals for the lucrative contract to ship the arms to Cairo, and were assured by Ghazala, Ali and Sabet that they were being given favorable consideration.

Actually, an exclusive contract was secretly awarded to a Geneva-based company named Tersam in April 1979. Yet the Egyptian officials continued to pretend that the bidding was still open, a charade that became more and more apparent to the frustrated legitimate businessmen as the months rolled by.

In early May, a cable from one East Coast businessman to a Cairo associate gave no hint that anything was wrong: "Contacted key Fathers [congressmen] and basically a blank check for both countries to draw upon ... 2 billion to Egypt next two

years ... Umpire [Ali] must have strong Washington support to fight for Egypt's fair share [of arms contracts] ... Fathers and Cage [Pentagon] agree central procurement will save millions and assure quality control"

The first note of alarm came in a cable from Washington to Cairo on May 15: "Our people say Salem [Hassan Salem, Tersam's Egyptian front man] has exclusive contract with Umpire's signature on it. Is this true?" This, of course, was all too true.

But the response from Cairo was reassuring: "Position still strong as secured [by] Umpire Saturday ... Umpire office will arrange all necessary instructions for registration at once. We are in the race in advanced position. Umpire insists on fact that no wedding [shipping contract] without our prior knowledge." This assurance from Ali, who was then defense minister, was given a month after the secret deal was made with Tersam.

Next, from Washington: "We have found out from Army Security Assistance Center that a company headed by Hassan Salem of Alexandria, Va., has been given the authority by the Egyptian government to do all freight forwarding We have all been made out to be fools"